

Internal Revenue Service

Department of the Treasury

District
Director

P.O. Box 1680, GPO Brooklyn, N.Y. 11202

Date: AUG 6 1984

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax, under section 501(c)(3) of the Internal Revenue Code.

The evidence presented disclosed that you were organized on [REDACTED]. Your purpose briefly stated are to provide food to members at cost plus expenses and to the rest of the community at below normal retail prices.

Membership in the food coop is open to the general public for a fee.

Section 501(c)(3) of the Internal Revenue Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for charitable, scientific or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(d)(1)(i) of the Federal Income Tax Regulations states that an organization may be exempt as an organization described in Section 501(c)(3) if it is organized and operated exclusively for one or more of the following purposes: a) religion b) charitable c) scientific.

Section 1.501(c)(3)-1(d)(1)(ii) of the Income Tax Regulations states an organization is not organized and operated exclusively for one or more of the purposes unless it serves a public rather than a private interest. In addition, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals. The creator or his family, shareholders of the organization, or persons controlled, directly or indirectly by such private interests.

Section 1.501(c)(3)-1(c)(2) of the Income Tax Regulations states that "an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or part to the benefit of private shareholders or individuals."

Based on the information submitted with your Application 1023, we have determined that your organization's primary activity is operating a coop food store for members. On the basis of the evidence presented, we have determined that you are not organized and operated exclusively for religious, charitable or scientific purposes within the meaning of the Code Section 501(c)(3). The organization is operating primarily for the private benefit of your members only, which does not constitute a charitable activity. This benefit of your members constitutes inurement which is prohibited under code Section 501(c)(3) and the applicable regulations. Consequently, you do not qualify for exemption under section 501(c)(3) of the Internal Revenue Code.

Contributions made to you are not deductible by the donors as charitable contributions as defined in section 170(c) of the Code.

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination you may protest in accordance with the enclosed instructions within 30 days.

If we do not hear from you within that time this determination will be considered final and the appropriate State officials will be notified.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Very truly yours,


District Director

Enclosure: Publication 894